



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY
 DENNIS C. PROUTY, DIRECTOR
 IOWA STATE CAPITOL
 DES MOINES, IA 50319
 515.281.3566
 Fax: 515.281.8027
dennis.prouty@legis.state.ia.us

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

•

FISCAL SERVICES
 HOLLY M. LYONS

•

COMPUTER SERVICES
 GLEN P. DICKINSON

•

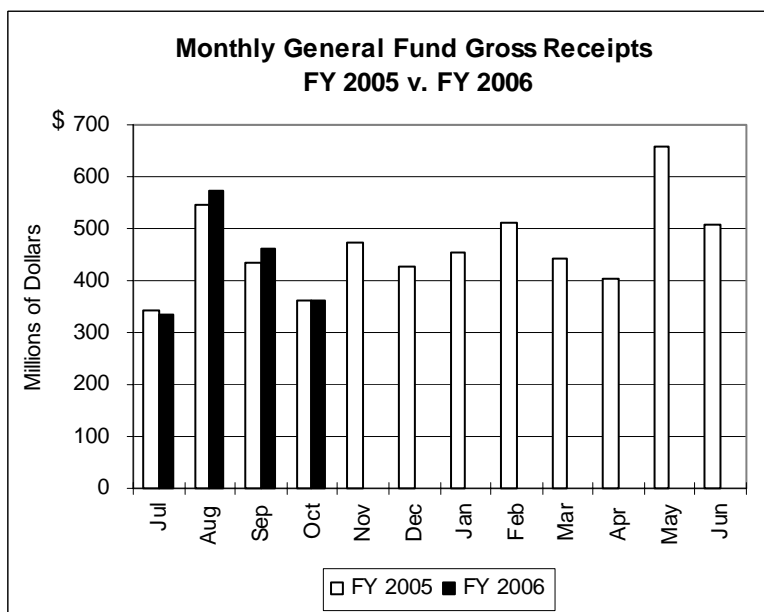
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: November 1, 2005

Monthly General Fund Receipts through October 31, 2005

The attached spreadsheet presents year-to-date FY 2006 General Fund receipts, with comparable figures for actual FY 2005. The figures can be compared to the FY 2006 estimate of \$5.609 billion set by the Revenue Estimating Conference (REC) on October 14, 2005. The FY 2006 estimate is an increase of \$40.1 million (0.7%) compared to actual FY 2005 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference has not been scheduled.



FY 2006 Compared to FY 2005

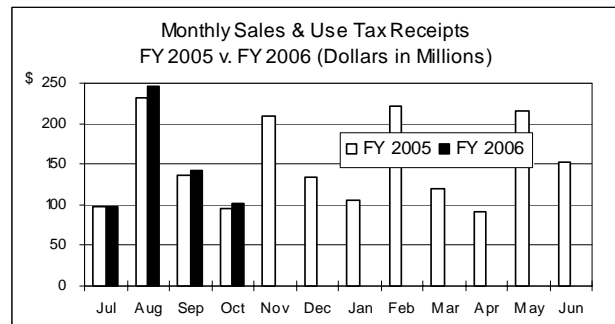
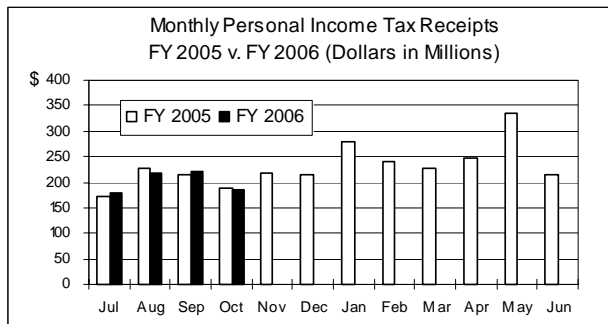
Fiscal year to date, total gross cash revenue (excluding transfers) increased \$49.3 million (2.9%) compared to FY 2005. Major revenue sources contributing to the change include:

- Personal income tax (positive \$2.4 million)
- Sales & use tax (positive \$24.8 million)
- Corporate tax payments (positive \$10.0 million)
- Other taxes (positive \$22.0 million)
- Other receipts (negative \$10.0 million)

Personal income tax revenues received in October totaled \$186.5 million, a decrease of \$1.0 million (- 0.5%) compared to October 2004.

The State lowered income tax withholding table rates effective April 1, 2005. The first day the change could impact receipts was April 26, 2005. Withholding tax deposits have shown negative growth since April 26th, decreasing \$25.4 million (- 2.2%) through October. Revised Department of Revenue projections call for a reduction of \$59.3 million between April 26 and October 31 as a result of the table changes. Adjusting for that amount of reduction, the base withholding receipt growth since April 26 is positive 2.7%. Prior to April 26, the annual rate of growth was 6.6%. The Fiscal Division will continue to monitor the withholding deposit downturn.

The FY 2006 REC income tax estimate of \$2.784 billion represents a projected increase of 0.1% compared to actual FY 2005. Year-to-date, total income tax receipts have increased 0.3%. By subcategory, withholding tax payments decreased 0.9% while income tax estimate payments increased 5.2%. Payments with returns are not a significant revenue source through October. The following chart compares FY 2006 monthly personal income tax receipts from all three personal income tax subcategories with FY 2005.



Sales/use tax receipts received in October totaled \$101.7 million, an increase of \$6.5 million (6.8%) compared to October 2004. October sales/use tax receipts were positively impacted by processing effects. Quarterly payments are due on October 31 each year. Last year, October 31 fell on a weekend so all quarterly deposits were made in November. This year, a portion of the deposit was made in October.

The REC estimate for FY 2006 sales/use tax receipts is \$1.860 billion, an increase of 2.6% compared to actual FY 2005. Year-to-date, sales/use tax receipts increased 4.4%. Without the October 31 issue mentioned above, the year-to-date growth rate is approximately 3.0%. The preceding chart compares FY 2006 monthly sales tax receipts with FY 2005.

Corporate tax receipts received in October totaled \$30.8 million, a \$2.8 million increase (10.0%) compared to October 2004. The REC estimate for FY 2006 corporate tax revenue is \$311.4 million, which represents an increase of 10.9% compared to actual FY 2005. Year-to-date, corporate tax revenue has increased 12.9%.

Other tax receipts received in October totaled \$16.9 million, a \$3.0 million (- 15.1%) decrease compared to October 2004. For the month, inheritance and miscellaneous tax receipts were responsible for the decrease.

The REC estimate for FY 2006 receipts from other taxes is \$347.9 million, which represents a decrease of 2.1% compared to actual FY 2005. Year-to-date, other tax receipts have increased 21.8%. The large increase is the result of insurance premium tax changes currently being phased-in

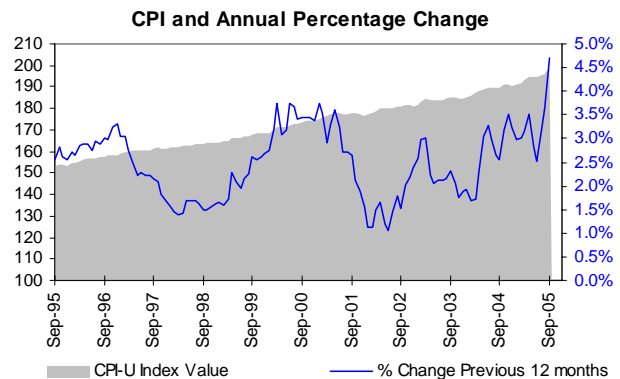
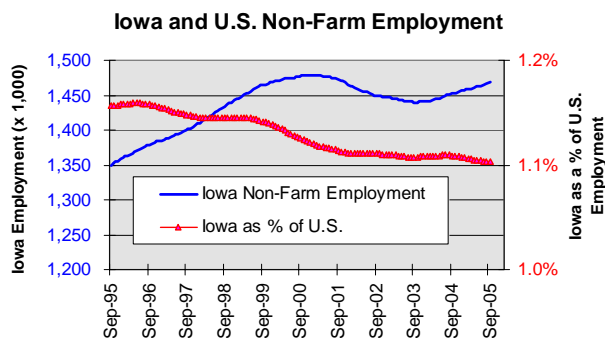
over several years. The tax rate is being lowered from 2.0% to 1.0%, while the timing of the payments is modified. This results in larger payments due in August and a reduction in payments due in March and June. Without the accelerated insurance premium taxes, other tax receipts would show a year-to-date decrease.

Other receipts (non-tax receipts) received in October totaled \$27.2 million, a \$4.7 million decrease (- 14.7%) compared to October 2004. Increases for the month were shown in interest and fee revenue. Judicial revenue decreased for the month as did gambling revenue. General Fund gambling revenue reached the \$60.0 million annual cap in October. The REC estimate for FY 2006 other receipt revenue is \$305.8 million, which represents a decrease of 9.5% compared to actual FY 2005. Year-to-date, other receipts have decreased 7.1%. The year-to-date and projected decreases relate to transfers from the Unclaimed Property Fund.

Status of the Economy

Iowa non-farm employment was reported at 1,486,000 for the month of September (not seasonally adjusted), 19,900 higher than September 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,468,100, so Iowa non-farm employment is roughly 10,500 below the peak and 22,400 above the recent low point. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.10% rating is the lowest since 1989.



Consumer prices increased 1.2% during the month of September (not seasonally adjusted). The Consumer Price Index (CPI-U) through September 2005 was 198.8 (1983/84=100), 4.7% higher than one year ago. The annual rate of inflation jumped significantly in September, driven by higher motor fuel and other energy prices. The annual rate of inflation has not been above 4.0% since June 1991.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

| GENERAL FUND RECEIPTS - FY 2005 vs. FY 2006 July 1 through October 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers | | | | | ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 05 Actual Compared to FY 06 REC Estimate | | |
|---|----------------|----------------|--------------------------|---------------------|--|---------------------|-----------------------|
| | FY 2005 | FY 2006 | Year to Date % Change | October % Change | Actual FY 2005 | Estimate FY 2006 | Projected % Change |
| Personal Income Tax | \$ 800.9 | \$ 803.3 | 0.3% | -0.5% | \$ 2,782.3 | \$ 2,783.8 | 0.1% |
| Sales/Use Tax | 561.4 | 586.2 | 4.4% | 6.8% | 1,812.3 | 1,860.1 | 2.6% |
| Corporate Income Tax | 77.5 | 87.5 | 12.9% | 10.0% | 280.9 | 311.4 | 10.9% |
| Inheritance Tax | 28.7 | 24.8 | -13.6% | -25.7% | 78.4 | 70.9 | -9.6% |
| Insurance Premium Tax | 21.6 | 48.8 | 125.9% | 0.0% | 130.9 | 128.3 | -2.0% |
| Cigarette Tax | 29.8 | 30.4 | 2.0% | -4.2% | 87.4 | 89.1 | 1.9% |
| Tobacco Tax | 2.8 | 3.0 | 7.1% | 0.0% | 8.7 | 8.9 | 2.3% |
| Beer Tax | 5.3 | 5.3 | 0.0% | 0.0% | 14.0 | 14.3 | 2.1% |
| Franchise Tax | 10.6 | 10.6 | 0.0% | 4.3% | 35.4 | 35.4 | 0.0% |
| Miscellaneous Tax | 2.1 | 0.0 | -100.0% | -66.7% | 0.6 | 1.0 | 66.7% |
| Total Special Taxes | \$ 1,540.6 | \$ 1,600.0 | 3.9% | 1.6% | \$ 5,230.9 | \$ 5,303.2 | 1.4% |
| Institutional Payments | 4.4 | 4.3 | -2.3% | -27.3% | 12.7 | 12.7 | -0.1% |
| Liquor Profits | 15.0 | 16.3 | 8.7% | 2.1% | 59.0 | 62.0 | 5.1% |
| Interest | 1.9 | 4.2 | 121.1% | 266.7% | 9.7 | 10.4 | 7.4% |
| Fees | 17.6 | 20.9 | 18.8% | 14.0% | 72.3 | 71.7 | -0.9% |
| Judicial Revenue | 14.3 | 13.8 | -3.5% | -49.2% | 59.2 | 60.9 | 2.9% |
| Miscellaneous Receipts | 28.5 | 12.2 | -57.2% | 31.6% | 65.1 | 28.1 | -56.8% |
| Racing and Gaming Receipts | 60.0 | 60.0 | 0.0% | -25.6% | 60.0 | 60.0 | 0.0% |
| TOTAL GROSS RECEIPTS | \$ 1,682.4 | \$ 1,731.7 | 2.9% | 0.2% | \$ 5,568.8 | \$ 5,609.0 | 0.7% |